



JUNE 15, 1956



1026 17th STREET, N. W., WASHINGTON 6, D. C.

What's the GNP to You?

DO you think of the national economy as a bouncing ball—what goes up must come down and the higher the bounce the farther the fall? Or as a tree whose growth varies with the seasons and with "good" and "bad" years but keeps on growing if properly fertilized and protected from disease?

Such analogies are applicable to the American economy—it fluctuates, it grows, it is uneven. But they give little impression of the complexity and variety of reactions to questions such as: Should we be afraid of imminent inflation? A general collapse? Or do we now enjoy a stable and expanding economy?

Let us look at the economic facts which give rise to these varying reactions.

Some Are Down

First, there are the "soft spots." People haven't been buying as many automobiles in 1956 as in 1955, when total domestic sales reached the unprecedented volume of 7,400,000. It looks as if the production of cars will be at least 25 per cent less this year than last, and there are said to be 900,000 unsold cars in the hands of dealers. About 200,000 workers have been laid off; a year ago they were working overtime. The auto parts manufacturers and makers of tires and upholstery have less business too, of course.

Television and radio production is down from the peak. Farm machinery production, reflecting lower farm income, has continued to decline.

Some Are Up

Not all metal fabricating industries are "soft," however. Freight car builders can use all the steel they can get. The aircraft industry is as active as ever. The net demand has kept steel mills going at capacity

and there is talk of rises in both prices and wages.

Consumers seem to be buying more food and more furniture than they were. Slightly less housing was being built this April than a year before, but the dollar volume of construction contracts was higher, partly due to higher costs.

But what good is a lively furniture trade in Grand Rapids to an auto worker out of a job in Detroit? Not much on the surface, but he would be worse off if all industry were depressed so that there were no alternative jobs. Readjustments are easier to make when business is booming generally. The town of Lawrence, Mass., deadened by the movement of the textile industry to the South, has taken advantage of the recent generally prosperous years to get new industries started in the town and its workers reemployed.

In General

What, then, of the over-all view? Under the greatly expanded and improved statistical work of the past few decades, we have measures of total production, total employment, general prices, wholesale and retail. They show that total industrial production has remained close to the top levels reached last fall. They show non-agricultural employment in April higher than ever before. The GNP (gross national product), which is an estimate of the total amount of dollars laid out by consumers, investors, and the government, was greater in the first quarter of 1956 than in any previous three months. (For volume of credit in use, see *THE NATIONAL VOTER* of Dec. 15, 1955.)

The GNP can reflect changes in prices as well as amount of goods and services. All of the changes in the economy impinge upon the

price level, and inflationary or deflationary forces find expression there. Average wholesale prices have been remarkably stable since 1953 but the monthly average rose slowly and steadily through April. The cost of living has inched up in recent weeks, chiefly on account of food prices. On the other hand there has been a break in the prices of copper and tin, which go into the cost of many things.

How to See Ahead

Unfortunately, such comprehensive figures as these are never strictly up to date—perhaps a quarter, a month, a week behind—and their future course is always uncertain. Some data collected, however, is definitely related to the future. For example, Federal Reserve surveys as to the intentions of consumers to buy showed intentions high for 1956.

Some business journals collect the plans of corporations for investment in new plants and equipment. One study showed the unprecedented volume of \$39 billion for planned investment in 1956, 30 per cent more than in 1955.

Such facts and figures as these are taken into consideration by business leaders whose decisions not only play an important part in determining earnings of their own stockholders and employees, but react upon industry in general. They are even more vital to public officials responsible for the government's role in the economy as defined in the Employment Act of 1946.

The government's general budgetary and monetary functions can be crucial in their influence on the general economic situation. Federal budgetary decisions made by the Treasury and Congress may mean a surplus or a deficit, may counteract

inflation or deflation, or may accentuate or precipitate a boom or depression.

Currently, a surplus of \$1.8 billion is anticipated in the 1956 budget. The Secretary of the Treasury has indicated that he favors using this surplus to reduce the national debt. If it were, instead, used to permit tax reduction, as some Congressmen urge, it would add to funds available for private spending.

The effects of budgetary action are usually not immediate but work out in the course of the fiscal year as expenditures are made and taxes are collected.

On the other hand, policies of the monetary authorities have an almost immediate effect on the volume of credit available and, in this age of credit transactions, on general business activity. The Federal Reserve Board, set up as an independent agency by Congress, can act very quickly in response to changing needs of the economy. It can influence the amount of total credit available by buying and selling of government securities, by action on discount rates charged to its member banks, and by setting the amount of reserves required of member banks. It has used the first two methods during the past year. On April 13, for the fifth time, it approved the raising of discount rates by 10 of its 12 member banks, indicating its judgment that inflationary forces were still predominant. Through its week-to-week securities operations it has limited general expansion of credit.

This Is Your Role

You may now be asking: What is my responsibility as a citizen and voter in the government's handling of its role in helping to maintain a stable and expanding economy? If the problem is too difficult, too technical for you, if the GNP and the various indexes are not clear to you, you still have a responsibility. You can insist that those who make judgments and decide policies shall consider the *whole* welfare in doing so, shall resist the pressures of special group interests, and shall be free to disregard the claims of political advantage even in an election year.

1906-1938-1956

June 27 will mark the fiftieth anniversary of the passage of the first federal Pure Food and Drug Act. In the second round of legislation, the League of Women Voters was one of the foremost of organizations working for enactment of the Food, Drug and Cosmetic Act of 1938, another landmark in the interest of the public.

Named to National Posts in League

BEFORE, during and after the 1956 national Convention, a number of leaders were called upon to serve the League in various capacities at the national level. Counting the national Board and two committees, 23 women are now serving, with 17 states represented.

On the first day of Convention, delegates adopted the recommendation of the national Board that two members, in addition to the chairman, be elected to the five-member Nominating Committee. They then elected the two whose names were submitted by the outgoing Committee; two others have since been appointed. After the election of the 1956-58 officers and directors, the new national Board announced to the Convention the appointment of three directors. At the post-Convention Board meeting, members of the new Policies and Procedures Committee were named.

To National Board

Reappointed to the national Board was Mrs. C. Walker Hayes of Albuquerque, New Mexico. Her biography appeared in the November 1955 issue of *THE NATIONAL VOTER*. The two new members of the Board are:



Mrs. George A. Dreyfous
—Joined in 1947 in New Orleans . . . has served in various posts on local and state Boards and was local League president 1952-55 . . . native of Louisiana, lived in Cincinnati many years where worked as psychologist with Board of Education . . . member Charter Advisory Committee of New Orleans, Citizens Advisory Committee on Housing Improvement and Slum Prevention, Budget Committee of Community Chest, Travelers' Aid Board . . . husband is lawyer . . . two sons, one grandchild.



Mrs. L. K. Richards—Joined in 1947 to help organize local League in Waco, Texas . . . served as its president first four years . . . was on state League Board 1951-52 . . . served as president of League of Women Voters of Texas 1952-56 . . . a native of Iowa, she taught high school there two years, and is trustee of her Alma Mater, Grinnell College . . . since 1931 has lived in Waco, where husband owns construction equipment and supplies business . . . one son.

Nominating Committee

Mrs. F. W. HOPKINS, Highland Park, N. J., *Chairman*. State League president 1947-51, national Treasurer 1952-54.

Mrs. WALTER H. C. LAVES, Bloomington, Ind. Local League Board (Montgomery County, Md.) 1952-53, national Board 1953-54, 1955, elected to Board 1956.

Mrs. Moses H. LURIE, Belmont, Mass. State League president 1945-48, national Board 1949-56.

Mrs. C. WALKER HAYES, Albuquerque, N. M. Local League president 1949-51, national Board since 1952.

Mrs. ALBERT SIMONS, Charleston, S. C. Local League president 1948-51, state League president 1951-55.

Policies and Procedures Committee

Mrs. ROBERT F. LEONARD, Washington, D. C., *Chairman*. Local League president 1945-47, national First Vice President 1950-56.

Mrs. JOHN A. CAMPBELL, Indianapolis, Ind. State League president since 1954.

Mrs. WILLARD HURST, Madison, Wis. Local League president 1954-56.

Mrs. CARL MARCY, Arlington, Va. State League president 1954-56, elected national Treasurer 1956.

Mrs. RALPH B. MORRIS, New York City. Local League president 1949-55.

Mrs. MAURICE A. POLLAK, Highland Park, Ill. State League president 1949-53, national Board 1944-46.

Mrs. H. L. REEDY, Lawrence, Kan. State League president 1944-47.

★ CONGRESSIONAL ★ SPOTLIGHT

MUTUAL SECURITY: House passed **H. R. 11356**, June 11, authorizing \$3,568,475,000* for military and economic foreign aid next year, a cut of \$1.109 bil. from the Administration request. The President has urged that the cut be restored. As sent to the Senate, the bill would provide \$3,077,700,000 for military assistance and defense support to 26 countries with which we have defense pacts; \$243 mil. for development assistance loans to countries with which we do not have defense pacts; \$157.5 mil. for all technical assistance programs (\$15.5 mil. of this sum would be contributed to the U.N. Expanded Program); and \$90,275 mil. for other programs.

TRADE: Senate Finance Committee begins, June 25, hearings on **H. R. 6040**, customs simplification bill passed by House last term.

* Carry-over authorizations and appropriations from previous years bring the total to approximately \$3.8 billion.

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